

Presentation to the IURC

August 9, 2002

Presentation Summary

- Customer Benefits
- Overview of Winter 2001/2002
- Plans for Winter 2002/2003

Customer Benefits

- Since 1980, Citizens Gas has distributed over \$67 million to its customers.
- Citizens Gas distributed \$3.8 million to customers from Nov. 1, 2001, through March 2002.
- Customers received \$3.7 million refund as part of a settlement with gas producers.
- Customers will receive \$6.35 million in December as a result of ProLiance settlement.

Proactive Communications

Key messages

- Weatherization and conservation
- Budget Payment Plan
- Citizens Gas programs for those in need
- Natural gas safety

Communications Mediums

- Monthly newsletter inserted in bills
- Television ad campaign
- Hispanic radio campaign
- Web site
- Speaker's bureau

Customer Services and Programs

Budget Payment Plan

- 80,000 (33 percent) participation.
- Highest percentage in state, among highest in the nation.

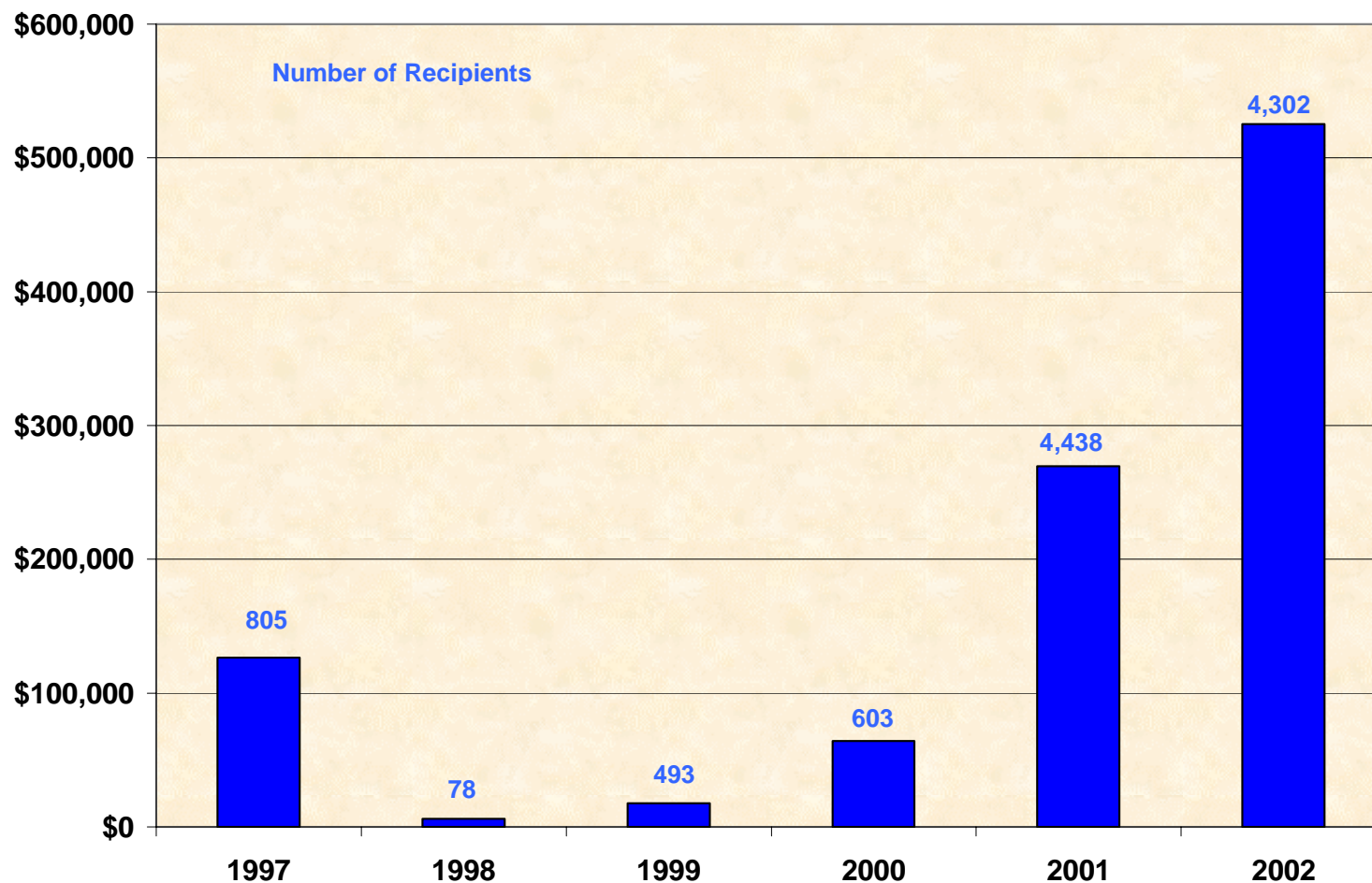
Translation Line

- More than 3,000 customers have utilized translation service.

Warm Heart Warm Home Foundation™

- Umbrella organization for assistance programs, weatherization and outreach.
- Citizens Gas contributed \$500,000 to the Foundation in 2002.
- Race for Heat was held in November 2001 to raise funds for Foundation.
- Provided assistance to 9,714 families through Foundation and HELP 2001.

Warm Heart Warm Home Distributions



Warm Heart Warm Home Foundation™

Weatherization

- Citizens Gas donated \$200,000 toward weatherization of 100 homes in partnership with CAGI and FSSA.
- Participating homeowners attend conservation workshops.
- Homeowners report significant decreases in winter heating consumption and bills.

Warm Heart Warm Home Foundation™

Citizens Gas Outreach

- Continued 15-year history of reaching out to senior citizens.
- Customer services specialists visited more than 950 homes and provided \$141,500 in assistance.
- Expanded outreach efforts. Field collectors put on case specialists hats and went door-to-door to more than 4,800 homes without heat.
- Provided assistance at the door, information on support agencies and space heater safety.
- Made sure gas service was safe.

HELP 2001

- Citizens Gas customers received more than \$2.1 million in 2001-2002.
- Citizens Gas was instrumental in the creation and implementation of program funded by Lilly Endowment.
- Program began in 2001 in response to high natural gas prices.
- Continued through May 2002.

Community Support Services

- Partnered with Lowe's and United Northwest Development Corp. to promote weatherization. CG volunteers caulked windows and doors for seniors in neighborhood.
- Partnered with social service providers:
 - Provided internet access to customer databases at local agencies.
 - CG staff worked onsite at Center Township Trustees office during specified days.
 - Provided social service agencies direct telephone access to CG Case Specialists.
 - Hosted information meetings for community and social services agencies.

Community Revitalization

- Citizens Gas is actively involved in the redevelopment of Fall Creek Place.
- Citizens Gas is offering an appliance package to new homeowners in neighborhood.
- Citizens Gas sponsored the Welcome Center.
- Two historic homes are being restored as part of a partnership with Historic Landmarks.

Preparing for Winter 2002/2003

Plans for Winter 2002/2003

- Build on previous communications and customer service efforts.
- Promote conservation, budget plans.
- Promote summer repayment program to low-income customers to assist in reconnecting their gas service before winter.

Preparing for Winter 2002/2003

Gas Supply Highlights

- Citizens Gas continues to use a variety of hedging mechanisms to reduce gas price volatility for its customers.
- So far 3.5 Bcf of gas have been purchased at fixed prices for winter 2002-2003 (5.8 BCF Target).
- Combined with storage quantities, approximately 60% of system supply will be hedged this winter.

Fixed Pricing Activities

- Planalytics' Gas Buyer software
 - Market Fundamentals
- Kase & Co.s Hedgemodel software
 - Technical Market Analysis
- Ratable Purchases
 - Small incremental purchases
- Normalized Purchases
 - Uses historical gas prices as benchmark

Preparing for Winter 2002/2003

Storage

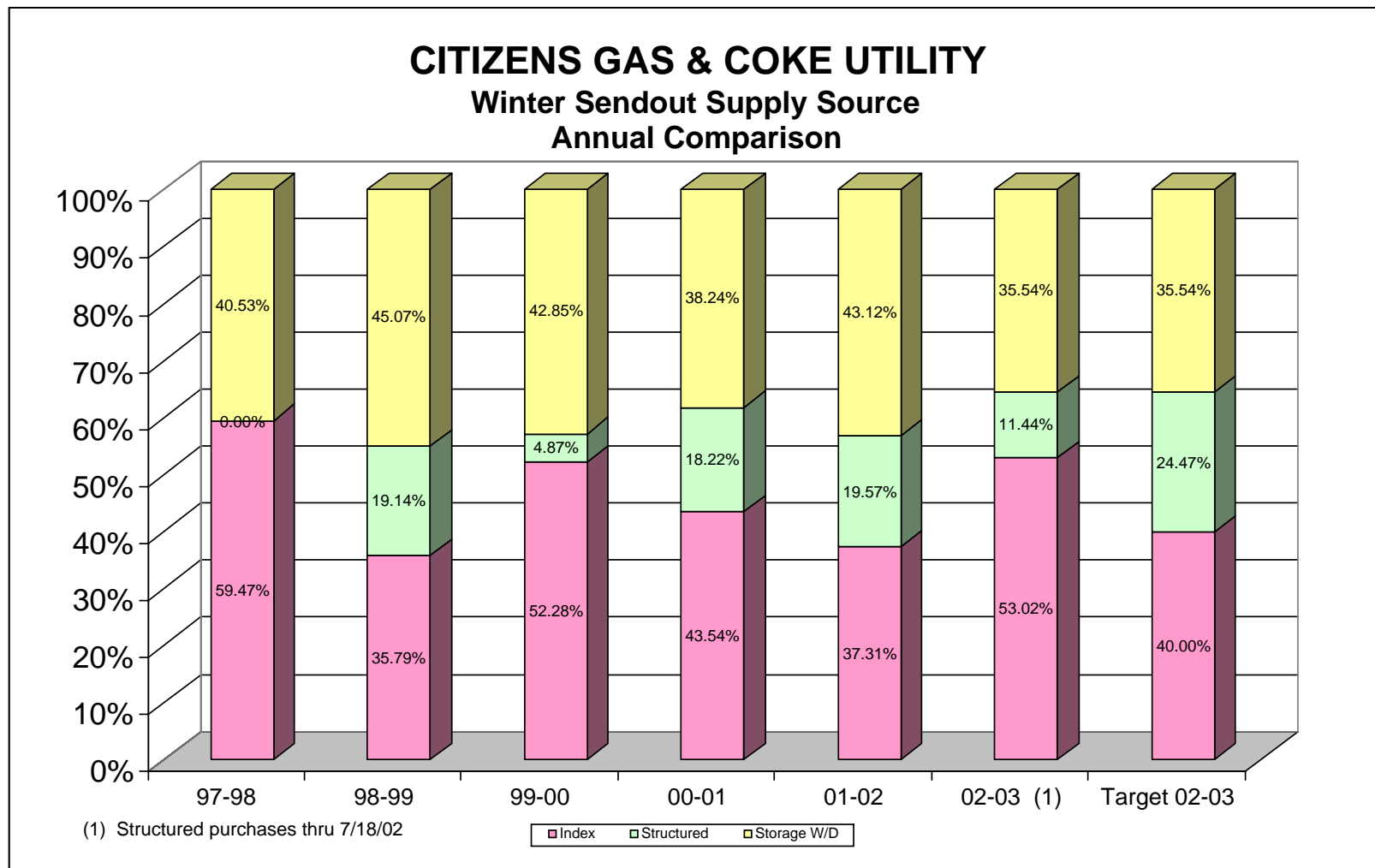
- As of July 31, 2002, storage assets on the Citizens Gas system are 85% full. These facilities will be 100% full on or before November 1, 2002.
 - 7 BCF available from Underground storage facility
 - 2 BCF available from LNG facilities

Preparing for Winter 2002/2003

Storage

- As of July 1, 2002, Citizens' contract storage volumes with pipelines are approximately 78% full. These volumes will be at 100% by November 1, 2002.
 - Approximately 14 BCF of contracted storage
- As of July 26, 2002, the EIA reports that US storage assets are 77% full. These facilities will be 100% full on or before November 1, 2002.
 - Approximately 3,300 BCF nationally

Preparing for Winter 2002/2003



Preparing for Winter 2002/2003

Price Outlook

- Winter prices currently \$3.40 - \$3.60 per dth.
- Industry experts hesitant to predict winter prices.
- AGA deems \$3.00-\$4.50 reasonable.
- Natural Gas Insight currently comfortable with a \$3.50-\$3.60 price range.

Summary

- Diversified gas portfolio for 2002/2003 winter.
- Reduced price volatility for customers.
- Adequate system supply volumes to meet peak demand.
- Favorable market conditions.